

BOOST YOUR SKILLS IN **ACCOUNTING AND BOOKKEEPING**

6

Computerized Systems, Cash, and Payroll

LEARNING OBJECTIVES

- Describe appropriate internal control procedures
- Prepare a bank reconciliation
- Calculate employer and employee payroll taxes
- Record journal entries for payroll
- Describe a computerized accounting system

Internal Controls for Cash

- **Maintaining physical safeguards:** These include using secure cash registers and lockboxes and making frequent bank deposits.
- **Segregation of duties:** Different employees handle cash and perform cash-related recordkeeping duties.
- **Transaction authorization:** Transactions exceeding thresholds are approved by a manager or owner.
- **Record retention:** Cash-related supporting materials should be maintained for seven years.

Petty Cash

- A small amount of cash, monitored by an administrative assistant, that is used for incidental purchases
- Established by reducing Cash and increasing the Petty Cash asset account

11/5	Petty Cash	500	
	Cash		500
<i>Establishment of a petty cash fund</i>			

Petty Cash Replenishment

- The Petty Cash fund is replenished by placing necessary cash in the lockbox and recording a journal entry to increase expenses incurred.
- The journal entry increases expense accounts and decrease Cash but does *not* impact Petty Cash.

11/18	Postage Expense	220	
	Supplies Expense	145	
	Miscellaneous Expense	85	
	Cash		450
	<i>Replenishment of the petty cash fund</i>		

Increase Petty Cash Fund

- If, over time, the petty cash fund is deemed to be too small, it may be increased.
- The same journal entry used to establish the fund is used to increase the fund.

1/20	Petty Cash	100	
	Cash		100
<i>Increase of the petty cash fund</i>			

Bank Reconciliation

A bank reconciliation displays all items that account for the difference between the bank balance and the general ledger cash balance.

Azzara Theme Park Guides									
Bank Reconciliation									
January 31, 2027									
Bank Statement Balance			\$ 26,500		Book Balance			\$ 27,200	
Add:					Add:				
Deposits in Transit			\$ 1,250		Note Receivable			\$ 400	
			\$ 27,750		Error Recording Check #2174			\$ 220	
								\$ 620	
								\$ 27,820	
Deduct:					Deduct:				
Outstanding Checks: #2156			\$ 650		NSF Check			\$ 1,800	
#2162			\$ 1,225		Bank Charges			\$ 145	
			\$ 1,875					\$ 1,945	
Adjusted Bank Balance			\$ 25,875		Adjusted Book Balance			\$ 25,875	

Bank Reconciliation: Reconciling Items

Reconciling items on a bank reconciliation can include the following:

- **Deposits in transit:** Deposits made too late in the month to appear on the bank statement
- **Outstanding checks:** Checks that haven't been cashed
- **Notes receivable:** Amounts paid directly into a company's bank account
- **NSF checks:** Nonsufficient funds checks received by the company but that subsequently bounce
- **Bank charges:** Levied by the bank for various services
- **Errors:** Can be made by either the bank or the company

Bank Reconciliation: Journal Entries

- All items on the bank side of the reconciliation have been recorded by the company, therefore no additional journal entries are necessary.
- Items on the company side of the reconciliation have not been recorded by the company, therefore journal entries are required for these items.
 - Collection of notes receivable by bank
 - Bank charges
 - NSF checks
 - Company errors

Payroll – Employee Withholdings

Amounts withheld from employee earnings include:

- **Social Security tax:** 6.2% of gross pay
- **Medicare tax:** 1.45% of gross pay
- **Federal income tax:** Determined using federal tax tables
- **State income tax:** Determined using state tax tables
- **Voluntary deductions:** Can include retirement contributions and union dues

Employer Payroll Taxes

Taxes paid by the employer include:

- **Social Security tax:** 6.2% of gross pay (matched)
- **Medicare tax:** 1.45% of gross pay (matched)
- **Federal unemployment tax:** Commonly 0.6% of gross pay
- **State unemployment tax:** Rate varies by state

Form W-4

- This form is completed by the employee.
- It provides the information necessary to determine federal income tax.

Form W-4		Employee's Withholding Certificate		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		▶ Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. ▶ Give Form W-4 to your employer. ▶ Your withholding is subject to review by the IRS.		
		2022		
Step 1: Enter Personal Information	(a) First name and middle initial		Last name	(b) Social security number
	Address		▶ Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov .	
	City or town, state, and ZIP code			
	(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly or Qualifying widow(er) <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)			
Complete Steps 2-4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, when to use the estimator at www.irs.gov/W4App , and privacy.				
Step 2: Multiple Jobs or Spouse Works		Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs. Do only one of the following. (a) Use the estimator at www.irs.gov/W4App for most accurate withholding for this step (and Steps 3-4); or (b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below for roughly accurate withholding; or (c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld. . . . ▶ <input type="checkbox"/> TIP: To be accurate, submit a 2022 Form W-4 for all other jobs. If you (or your spouse) have self-employment income, including as an independent contractor, use the estimator.		
Complete Steps 3-4(b) on Form W-4 for only ONE of these jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3-4(b) on the Form W-4 for the highest paying job.)				
Step 3: Claim Dependents		If your total income will be \$200,000 or less (\$400,000 or less if married filing jointly): Multiply the number of qualifying children under age 17 by \$2,000 ▶ \$ Multiply the number of other dependents by \$500 ▶ \$ Add the amounts above and enter the total here 3 \$		
Step 4 (optional): Other Adjustments		(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income 4(a) \$ (b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here 4(b) \$ (c) Extra withholding. Enter any additional tax you want withheld each pay period 4(c) \$		
Step 5: Sign Here		Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete. ▶ Employee's signature (This form is not valid unless you sign it.) ▶ Date		
Employers Only		Employer's name and address	First date of employment	Employer identification number (EIN)
For Privacy Act and Paperwork Reduction Act Notice, see page 3. Cat. No. 10220Q Form W-4 (2022)				

Form W-2

- This form displays annual earnings and withholding information.
- It is provided to the employee by the employer.

22222		a Employee's social security number		OMB No. 1545-0008	
b Employer identification number (EIN)			1 Wages, tips, other compensation		2 Federal income tax withheld
c Employer's name, address, and ZIP code			3 Social security wages		4 Social security tax withheld
			5 Medicare wages and tips		6 Medicare tax withheld
			7 Social security tips		8 Allocated tips
d Control number			9		10 Dependent care benefits
e Employee's first name and initial		Last name	Suff.	11 Nonqualified plans	
				12a	
				12b	
				12c	
f Employee's address and ZIP code		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12d	
14 Other					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
					20 Locality name
<div> <div>Form W-2 Wage and Tax Statement</div> <div>2023</div> <div>Department of the Treasury—Internal Revenue Service</div> </div>					
Copy 1—For State, City, or Local Tax Department					

Form W-9

- This form is completed by the independent contractor.
- It provides the information necessary for the employer to report independent contractor compensation to the federal government.

Form (Rev. October 2018) Department of the Treasury Internal Revenue Service	<h2 style="margin: 0;">W-9</h2> <h3 style="margin: 0;">Request for Taxpayer Identification Number and Certification</h3> <p style="margin: 0;">▶ Go to www.irs.gov/FormW9 for instructions and the latest information.</p>	Give Form to the requester. Do not send to the IRS.
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.</p> <hr/> <p>2 Business name/disregarded entity name, if different from above</p> <hr/> <p>3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only one of the following seven boxes.</p> <div style="display: flex; justify-content: space-between; font-size: small;"> <div style="width: 45%;"> <p><input type="checkbox"/> Individual/sole proprietor or single-member LLC</p> <p><input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ </p> <p><input type="checkbox"/> Other (see instructions) ▶ </p> </div> <div style="width: 45%;"> <p><input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate</p> <p>Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is not disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.</p> </div> </div> </div> <div style="width: 50%;"> <p>4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):</p> <p>Exempt payee code (if any) </p> <p>Exemption from FATCA reporting code (if any) </p> <p style="font-size: x-small;">(Applies to accounts maintained outside the U.S.)</p> </div> </div>		
<div style="display: flex; justify-content: space-between;"> <div style="width: 70%;"> <p>5 Address (number, street, and apt. or suite no.) See instructions.</p> <hr/> <p>6 City, state, and ZIP code</p> <hr/> <p>7 List account number(s) here (optional)</p> <hr/> </div> <div style="width: 30%;"> <p>Requester's name and address (optional)</p> <hr/> </div> </div>		
<div style="border: 1px solid black; padding: 5px;"> <p>Part I Taxpayer Identification Number (TIN)</p> <p>Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see <i>How to get a TIN</i>, later.</p> <p>Note: If the account is in more than one name, see the instructions for line 1. Also see <i>What Name and Number To Give the Requester</i> for guidelines on whose number to enter.</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> <p>Social security number</p> <div style="display: flex; align-items: center;"> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> <div style="margin: 0 5px;">-</div> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> <div style="margin: 0 5px;">-</div> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> </div> </div> <div style="width: 40%;"> <p>OR</p> <p>Employer identification number</p> <div style="display: flex; align-items: center;"> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> <div style="margin: 0 5px;">-</div> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin-right: 5px;"></div> </div> </div> </div> </div>		
<div style="border: 1px solid black; padding: 5px;"> <p>Part II Certification</p> <p>Under penalties of perjury, I certify that:</p> <ol style="list-style-type: none"> The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and I am a U.S. citizen or other U.S. person (defined below); and The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct. <p>Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.</p> </div>		
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>Sign Here</p> </div> <div style="width: 50%;"> <p>Signature of U.S. person ▶ </p> <p>Date ▶ </p> </div> </div>		

Form 1099-NEC

- This form reports compensation paid to an independent contractor.
- It is provided to the independent contractor by the employer.

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0116 Form 1099-NEC (Rev. January 2022) For calendar year 20__		Nonemployee Compensation
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.				
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation \$		Copy 1 For State Tax Department
RECIPIENT'S name		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>		
Street address (including apt. no.)		3		
City or town, state or province, country, and ZIP or foreign postal code		4 Federal income tax withheld \$		
Account number (see instructions)		5 State tax withheld \$	6 State/Payer's state no.	7 State income \$
Form 1099-NEC (Rev. 1-2022)		www.irs.gov/Form1099NEC		Department of the Treasury - Internal Revenue Service

Computerized Accounting Systems

The benefits of using computerized accounting systems, which help automate work and minimize errors, include:

- Improved efficiency
- Improved accuracy
- Backup capabilities
- Decreased overall cost